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OFFICE OF MANAGEMENT AND BUDGET

Notice; 2017 Statutory Pay-As-You-Go Act Annual Report

AGENCY: Office of Management and Budget (OMB).

ACTION: Notice.

SUMMARY: This report is being published as required by the Statutory Pay-As-You-Go (PAYGO) Act of 2010. The Act requires that OMB issue an annual report and a sequestration order, if necessary.

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SUPPLEMENTARY INFORMATION: This report can be found at

<https://www.whitehouse.gov/omb/paygo/>.

Authority: 2 U.S.C. 934

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This Report is being published pursuant to section 5 of the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111-139, 124 Stat. 8, 2 U.S.C. § 934, which requires that OMB issue an annual PAYGO report, including a sequestration order if necessary, no later than 14 working days after the end of a congressional session.

This Report describes the budgetary effects of all PAYGO legislation enacted during the first session of the 115th Congress and presents the 5-year and 10-year PAYGO scorecards maintained by OMB. Because neither the 5-year nor 10-year scorecard shows a debit for the budget year, which for purposes of this Report is fiscal year 2018,¹ a sequestration order under subsection 5(b) of the PAYGO Act, 2 U.S.C § 934(b) is not necessary.

During the first session of the 115th Congress, two laws were enacted with emergency requirements under section 4(g) of the PAYGO Act, 2 U.S.C. 933(g) that had PAYGO effects. Three laws had estimated budgetary effects on direct spending and revenues that were excluded from the calculations of the PAYGO scorecards due to provisions excluding all or part of the law from section 4(d) of the PAYGO Act, 2 U.S.C. 933(d).

I. PAYGO Legislation with Budgetary Effects

PAYGO legislation is authorizing legislation that affects direct spending or revenues, and appropriations legislation that affects direct spending in the years after the budget year or affects revenues in any year.² For a more complete description of the

¹ References to years on the PAYGO scorecards are to fiscal years.

² Provisions in appropriations acts that affect direct spending in the years after the budget year (also known as "outyears") or affect revenues in any year are considered to be budgetary effects for the purposes of the

Statutory PAYGO Act, see Chapter 8, "Budget Concepts," of the *Analytical Perspectives* volume of the 2018 President's Budget, found on the website of the U.S. Government Printing Office (<https://www.gpo.gov/fdsys/pkg/BUDGET-2018-PER/pdf/BUDGET-2018-PER.pdf>).

The 5-year and 10-year PAYGO scorecards for each congressional session begin with the balances of costs or savings carried over from previous sessions and then tally the costs or savings of PAYGO laws enacted in the most recent session. The 5-year PAYGO scorecard for the first session of the 115th Congress began with balances of savings of \$3,579 million in 2018, \$3,604 million in 2019, and \$2,978 million in 2020, and with costs of \$478 million in 2021. The completed 5-year scorecard for the session shows that PAYGO legislation enacted during the session was estimated to have PAYGO budgetary effects that increased the deficit by an average of \$1,089 million each year from 2018 through 2022.³ These new costs on the scorecard decreased the balances of savings in each year on the 5-year scorecard from 2018 through 2020, and increased the balances of costs in 2021. The 5-year PAYGO window extended only through 2021 in the second session of the 114th Congress, so there were no 5-year scorecard balances in 2022 to carry over and the 5-year scorecard total is the average \$1,089 million cost from this session.

PAYGO scorecards except if the provisions produce outlay changes that net to zero over the current year, budget year, and the four subsequent years. As specified in section 3 of the PAYGO Act, off-budget effects are not counted as budgetary effects. Off-budget effects refer to effects on the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service.

³ As provided in section 4(d) of the PAYGO Act, 2 U.S.C. § 933(d), budgetary effects on the PAYGO scorecards are based on congressional estimates for bills including a reference to a congressional estimate in the Congressional Record, and for which such a reference is indeed present in the Record. Absent such a congressional cost estimate, OMB is required to use its own estimate for the scorecard. None of the bills enacted during this session had such a congressional estimate and therefore OMB was required to provide an estimate for all PAYGO laws enacted during the session.

The 10-year PAYGO scorecard for the first session of the 115th Congress began with balances of savings of \$14,468 million in each year from 2018 to 2020, \$8,097 million in 2021, \$7,387 million in 2022, \$6,252 million in 2023, \$6,259 million in 2024, and \$4,738 million in 2025, and with costs of \$980 million in 2026. The completed 10-year scorecard for the session shows that PAYGO legislation for the session increased the deficit by an average of \$653 million each year from 2018 through 2027. These new costs decreased the balances of savings in each year on the 10-year scorecard from 2018 through 2025, and increased the balances of costs in 2026. The 10-year PAYGO window extended only through 2026 in the second session of the 114th Congress, so there were no 10-year scorecard balances in 2027 to carry over and the 10-year scorecard total is the average \$653 million costs from this session.

In the first session of the 115th Congress, 28 laws were enacted that were determined to constitute PAYGO legislation. Of the 28 enacted PAYGO laws, 9 laws were estimated to have PAYGO budgetary effects (costs or savings) in excess of \$500,000 over one or both of the 5-year or 10-year PAYGO windows. These were:

- Consolidated Appropriations Act, 2017, P.L. 115-31;
- Countering America's Adversaries Through Sanctions Act, P.L. 115-44;
- An Act to authorize appropriations and to appropriate amounts for the Veterans Choice Program of the Department of Veterans Affairs, to improve hiring authorities of the Department, to authorize major medical facility leases, and for other purposes, P.L. 115-46;
- Harry W. Colmery Veterans Educational Assistance Act of 2017, P.L.

115-48;

- Department of Veterans Affairs Expiring Authorities Act of 2017, Public Law 115-62;
- Disaster Tax Relief and Airport and Airway Extension Act of 2017, Public Law 115-63;
- Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Public Law 115-72;
- National Defense Authorization Act for Fiscal Year 2018, Public Law 115-91; and
- Western Oregon Tribal Fairness Act, P.L. 115-103.

In addition to the laws identified above, 19 laws enacted in this session were estimated to have negligible budgetary effects on the PAYGO scorecards—costs or savings of less than \$500,000 over both the 5-year and 10-year PAYGO windows.

II. Budgetary Effects Excluded from the Scorecard Balances

A. Legislation Designated as Emergency Requirements

As shown on the scorecards, two laws were enacted in the first session of the 115th Congress with an emergency designation under the Statutory PAYGO Act, and that had PAYGO effects:

- Emergency Aid to American Survivors of Hurricanes Irma and Jose Overseas Act, Public Law 115-57; and
- Disaster Tax Relief and Airport and Airway Extension Act of 2017, Public Law 115-63.

The effects of the provisions in these laws that are designated as emergency requirements appear on the scorecard, but are subtracted before computing the scorecard totals.

Two additional laws included an emergency designation under the Statutory PAYGO Act, but OMB estimated that the designated portions of the laws did not have any PAYGO effects:

- Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, Public Law 115-64; and
- Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Public Law 115-72.

B. Statutory Provisions Excluding Legislation from the Scorecards

Three laws enacted in the first session of the 115th Congress had estimated budgetary effects on direct spending and revenues that were excluded from the calculations for the PAYGO scorecards due to provisions in law excluding all or part of the law from section 4(d) of the Statutory Pay-As-You-Go Act of 2010. One law, An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Public Law P.L. 115-97 (also referred to as H.R. 1, the Tax Cuts and Jobs Act), was excluded entirely from the scorecards by Section 5002 of Public Law 115-96.

In addition, budgetary effects in two laws were excluded by provisions excluding certain portions of those laws from the scorecards:

- Making further continuing appropriations for fiscal year 2017, and for

other purposes, Public Law 115-30; and

- An Act to amend the Homeland Security Act of 2002 to require the Secretary of Homeland Security to issue Department of Homeland Security-wide guidance and develop training programs as part of the Department of Homeland Security Blue Campaign, and for other purposes, Public Law 115-96.

III. PAYGO Scorecards

STATUTORY PAY-AS-YOU-GO SCORECARDS

(in millions of dollars, negative amounts portray decreases in deficits)

	2018	2019	2020	2021	2022					
First Session of the 115 th Congress	1,089	1,089	1,089	1,089	1,089					
Balances from Previous Sessions	<u>-3,579</u>	<u>-3,604</u>	<u>-2,978</u>	<u>478</u>	<u>0</u>					
Five-year PAYGO Scorecard	-2,490	-2,515	-1,889	1,567	1,089					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
First Session of the 115 th Congress	653	653	653	653	653	653	653	653	653	653
Balances from Previous Sessions	<u>-14,468</u>	<u>-14,468</u>	<u>-14,468</u>	<u>-8,097</u>	<u>-7,387</u>	<u>-6,252</u>	<u>-6,259</u>	<u>-4,738</u>	<u>980</u>	<u>0</u>
Ten-year PAYGO Scorecard	-13,815	-13,815	-13,815	-7,444	-6,734	-5,999	-5,606	-4,085	1,633	653

IV. Sequestration Order

As shown on the scorecards, the budgetary effects of PAYGO legislation enacted in the first session of the 115th Congress, combined with the balances from previous sessions of the Congress left on each scorecard, resulted in net savings on both the 5-year and the 10-year scorecard in the budget year, which is 2018 for the purposes of this Report. Because the costs for the budget year, as shown on the scorecards, do not exceed savings for the budget year, there is no “debit” on either scorecard under section 3 of the PAYGO Act, 2 U.S.C. § 932, and there is no need for a sequestration order.⁴

The savings shown on the scorecards for 2018 will be removed from the scorecards that are used to record the budgetary effects of PAYGO legislation enacted in the second session of the 115th Congress. The totals shown in 2019 through 2027 will remain on the scorecards and will be used in determining whether a sequestration order will be necessary in the future. On the 5-year scorecard for the second session of the 115th Congress, 2019 and 2020 will show balances of savings. The years 2021 and 2022 will show balances of costs. On the 10-year scorecard, each year from 2019 to 2025 will show balances of savings. The years 2026 and 2027 will show balances of costs.

⁴ Joint Committee reductions for 2018 were calculated and ordered in a separate report and are not affected by this determination. See, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/sequestration_reports/FY_2018_Sequestration_Update_8-18-17.pdf

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